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*Please submit any questions as we go
and we will be sure to address them at
the end - there will be plenty of time
for Q&A!*

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What is the LOCAL Program?

- A cost-effective way for Washington municipalities to finance equipment and/or real estate projects, including property acquisition and construction of new facilities



City Hall Building for the City of Brier

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Lease/Purchase Structure – Certificates of Participation

- Participants enter into a lease-purchase financing contract (lease) with the Office of the State Treasurer (OST)
- OST pools the various lease agreements across all LOCAL participants and packages them as a security called a Certificate of Participation (COP)
 - COP's are similar to municipal bonds in that they are structured with regular principal and interest payments and sold to investors
 - Investors that purchase the COP are guaranteed a fixed income stream from the lease payments throughout the life of the financing contract
- The local agency retains ownership of the property throughout the term of the lease

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Program Participants and Leases Since 1999

Type of Equipment/Real Estate	Number of Leases	Government Partners	Number of Leases
Commercial Vehicles -- Buses, Fire Trucks	321	School District	268
Vehicles -- Cars & Trucks	132	Fire District	231
Real Estate Buildings/Land	99	City	220
Energy Updates & HVAC	92	County	37
Road/Warehouse Vehicles -- Tractors, Forklifts	47	Park and Recreation District	16
Other	39	Hospital District	15
Machinery	28	Metropolitan Park District	12
Computers & Peripherals	16	Port District	8
Communication Systems	15	Mosquito Control District	3
Office Equipment & Furniture	13	Public Utility District	3
Boats, Aircraft, Recreational Equipment	8	Housing Authority	2
Portable Buildings -- Modular classrooms, yurts	7	Irrigation or Reclamation District	1
Grand Total	817	Library District	1
		Total	817

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Program Participants & Property Since 1999

Total LOCAL par issued	
Real Estate	\$ 100,241,605.43
Equipment	\$ 190,119,324.91
	\$ 290,360,930.34

Smallest LOCAL Leases			
	Par Amount	Agency	Property
Real Estate	\$45,000	Stevens Fire District 7	Fire Station
Equipment	\$10,000	Jefferson Fire District 4	Vehicle

Largest LOCAL Leases			
	Par Amount	Agency	Property
Real Estate	\$15,365,00	Mason County	Public Works Buildings
Equipment	\$4,632,793	City of Yakima	Police cars

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LOCAL Program Details

- Funds are generally available three times per year:
 - February, June and October
- Large requests may qualify for a special issuance that could fall outside the regular schedule
- The LOCAL Program requires participants to make a general obligation pledge
 - Unable to accept a revenue based credit
- OST conducts a credit review based on the borrower's non-voted debt capacity and financial health
 - We can issue on behalf of voter approved measures as well

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LOCAL Program Details

- Minimum borrowing threshold of \$10,000 per lease/contract
- Maximum borrowing amount is decided on a case-by-case basis
- The term of each financing is based upon the useful life of the asset:
 - For real estate transactions, the maximum term is 25-years
 - For equipment, the maximum term is determined by the [Office of Financial Management Capital Asset useful life schedule](#)
- Property financed on a tax-exempt basis is subject to IRS tax law restrictions regarding private business use:
 - When necessary, a taxable sale can be done

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Program Benefits

- 1. Low Cost of Issuance/Economies of Scale**
- 2. Low Interest Rates**
- 3. Ease of Administration**

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Economies of Scale

- Local agencies participating in the LOCAL Program have significantly reduced issuance costs compared to a standalone bond issuance
- State agencies pay the basic fixed costs of the pooled financing program, including:
 - Legal fees (bond and disclosure counsel)
 - Municipal advisor fees (for equipment)
 - Credit rating fee
- Because of the pooled approach, the cost of issuance for local agencies is limited to the incremental cost of their participation:
 - Escrow fees (if applicable)
 - Title insurance & municipal advisor fees (for real estate)
 - Fiscal agent collection fee

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Interest Rates

June 4, 2019

- Aa1 rating provides local participants with ability to access very low cost tax-exempt interest rates

<i>Term</i>	Equipment*	Real Estate*
5 Years	1.60%	--
7 Years	1.65%	--
10 Years	--	1.69%

September 24, 2019

- Pooling allows even the smallest participants access to the public tax-exempt market

<i>Term</i>	Equipment*	Real Estate*
4 Years	1.48%	-
5 Years	1.50%	1.45%
8 Years	1.58%	-
9 Years	-	1.61%
10 Years	1.65%	-
13 Years	1.99%	-
20 Years	-	2.72%

* Interest rates include all financing costs. Past interest rates do not predict future interest rates. Actual interest rates are determined by the competitive bids received on the date of sale.

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Administration

- OST manages all technical aspects of the program, including:
 - General administration
 - Structuring
 - COP Issuance
 - IRS tax law compliance
 - Continuing disclosure
- To reduce costs and increase efficiency, the LOCAL Program uses standardized documents and a set repayment schedule
 - Lease payments are due on June 1 and December 1
- Once funds are available, proceeds can be sent directly to a participant's vendor or as a reimbursement to the local agency

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Timeline

Preliminary LOCAL Program Timeline

Funds Available In	Project Type	NOI & Credit Application Cut-Off	All-Documents Cut Off	Sale Date	Funds Available	First Payment Due
June '20*	Real Estate	Mid-March 2020	Late April 2020	June, 2020	June, 2020	December 1, 2020
	Equipment	Early April 2020				
October '20*	Real Estate	Mid-July 2020	Mid-August 2020	September, 2020	October, 2020	December 1, 2020
	Equipment	Late July 2020				
February '21*	Real Estate	Early November, 2020	Early January 2021	February, 2021	February, 2021	June 1, 2021
	Equipment	Mid November, 2020				

**All dates are tentative and subject to change; dates for future sales will be established after the current sale is completed*

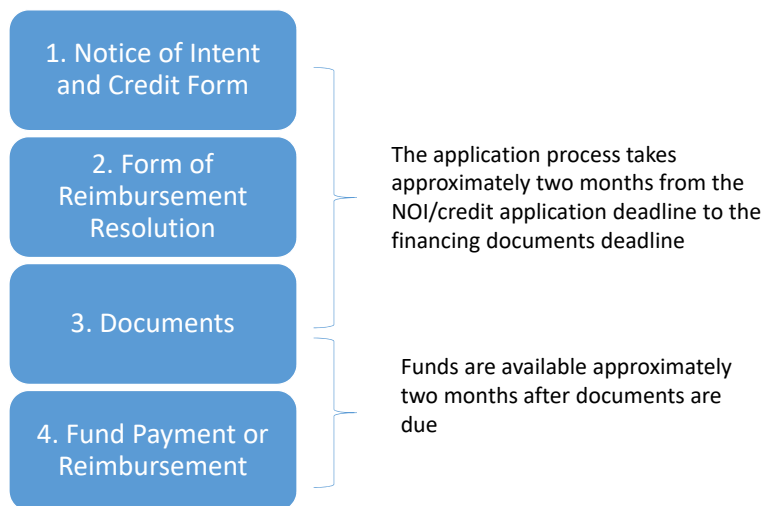
- OST plans to go market three times in 2020, with funds expected to be available in February, June and October
 - OST has the ability to issue additional series if the need arises
- Funds are available approximately 2-3 weeks after the sale date

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LOCAL Program Process



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LOCAL Program Process

1. Notice of Intent and Credit Form

- The Notice of Intent (NOI) is a standardized, non-binding agreement that notifies OST of the local agency's intent to participate in a future financing
- It should be completed by the local agency's primary point of contact
- The NOI establishes the maximum amount to be financed and the proposed term for the lease/contract

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LOCAL Program Process

1. Notice of Intent and Credit Form

- The credit form is submitted with the NOI, allowing OST to analyze a participant's fiscal health and determine compliance with credit guidelines
 - The process is similar to applying for a bank loan
 - Application should include 5 years of financial statements and 2 budgets
- OST will respond to request within 2-3 weeks
 - We perform an internal review of financial statements and budgets, and other documentation provided by the agency
 - This is followed by an external review by our greater finance team
- Participation is dependent on OST credit approval

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LOCAL Program Process

2. Form of Reimbursement Resolution

- A Reimbursement Resolution allows a local agency to purchase equipment or property in advance of being reimbursed by a LOCAL financing
 - OST provides a template for the local agency's governing body to enact a reimbursement resolution
 - This provides the participant with flexibility to purchase equipment or property independent of the financing schedule
- Not necessary if OST is paying vendor directly (equipment only)
- The reimbursement resolution must be passed by the participant's governing body either before purchasing the equipment or property or no later than 60 days after the purchase date
- The reimbursement resolution due date depends on the timing of the equipment or property purchase

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LOCAL Program Process

3. Documents

- Once the local agency is approved, OST will provide two types of documents: those that authorize the agency to participate and the financing contracts
- The authorizing documents are templates the Agency fills out and are executed by their governing body
- The financing contracts are prepared by OST and sent to the agency for signature
- See Appendix A for full list of documents

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LOCAL Program Process

4. Payment or Reimbursement

- For equipment financings, local agencies need to submit a Personal Property Certificate, proof of payment and proof of insurance
- For acquisitions, the local agency must first be in possession of the property
- For new construction, the agency must own the property and have an executed construction contract
- For real estate financings, reimbursements can occur as the project progresses

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Questions?

Contact Information



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Appendix A

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MOODY'S INVESTORS SERVICE

**Rating Action: Moody's upgrades Washington State GOs to Aaa from Aa1;
outlook stable**

23 Aug 2019

New York, August 23, 2019 – Moody's Investors Service has upgraded the ratings on the State of Washington's approximately \$19.4 billion outstanding general obligation bonds, including bonds additionally secured by motor vehicle fuel taxes and toll revenues, to Aaa from Aa1.

In conjunction with the upgrade of the general obligation ratings, we have upgraded the following related ratings:

- The Washington State School Bond Guarantee Program (approximately \$13.5 billion bonds guaranteed) to Aaa from Aa1;
- The state's certificates of participation (approximately \$870 million outstanding) to Aa1 from Aa2;
- The TOP Lease Revenue Refunding Bonds, 2014 (Washington State Office Building) (\$35.8 million outstanding) to Aa1 from Aa2; and
- The City of Aberdeen, Special Revenue Bonds, Series 2002 (Stafford Creek Corrections Center Project) (\$670,000 outstanding) to Aa2 from Aa3.

We have affirmed the A2 rating on the state's \$517 million outstanding Federal Highway Grant Anticipation Revenue Bonds, Series 2012F & 2014C (GARVEE) (SR 520 Corridor Program).

At this time, we have assigned Aaa ratings to the state's planned general obligation bond issues:

- \$457.9 million Various Purpose General Obligation Bonds, Series 2020A;
- \$222.5 million Motor Vehicle Fuel Tax & Vehicle Related Fees General Obligation Bonds, Series 2020B;
- \$38.4 million General Obligation Bonds, Series 2020T;
- \$91.8 million Various Purpose General Obligation Refunding Bonds, Series R-2020A; and
- \$53.1 million Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2020B.

We have also assigned a Aa1 rating to the state's planned issue of \$87.7 million Certificates of Participation, Series 2019D (State and Local Agency Real and Personal Property).

The outlook on the state's debt and the school bond guarantee program is stable.

RATINGS RATIONALE

The upgrade of the general obligation bonds and school bond guarantee program to Aaa reflects a significant increase in financial reserves even as the state increased funding for K-12 education in response to a state supreme court mandate, the exceptional growth of the state's economy driven largely by the technology sector in the Seattle metro area, and the consequent diversification of the state's economy lessening dependence on aircraft manufacturing by The Boeing Company (A2 negative). Additional strengths include above-average wealth and income levels, and the state's strong fiscal governance practices. While the state's debt levels are above average, they have been declining relative to the 50-state medians and the state's debt and pension liabilities combined and fixed costs are comparable to medians. The grounding of Boeing's 737 MAX aircraft, while a credit negative for the company, has not impacted employment or state tax revenues to date; a prolonged reduction 737 MAX production, not currently foreseen, should not have a significant negative impact on the state. Frequent voter initiative activity adds budget challenges, but the legislature has broad authority to suspend voter-enacted statutes and a history of responding effectively to maintain budget balance.

The upgrade of the state's certificates of participation, its 2014 TOP lease revenue bonds, and the City of

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Appendix B

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Appendix B – Financing Documents

Note: OST prepares all documents, to be filled out and completed by Local Agency

- Financing Documents
 1. Form of Reimbursement Resolution
 2. Authorizing Resolution/Ordinance
 3. Local Agency Financing Contract and Financing Memo
 4. Local Agency Site Lease and Site Lease Memo (Real Estate Only)
 5. Tax Certificate
 6. Opinion of Local Agency Counsel
 7. Escrow Letter
- Certificates
 - Certificate of Authorizing Resolution/Ordinance
 - Certificate Designating Authorized Agency Representatives
 - Certificate of Incumbency
- Other
 - Construction Contract (Real Estate Only)
 - Evidence of Property Insurance (due after purchase of property)
 - Title Insurance Policy (Real Estate Only)

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